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## SECTION B

### SUPPLIES OR SERVICES AND PRICES/COSTS

#### B.1 TYPE OF CONTRACT - ITEMS BEING ACQUIRED

This is a Cost-Plus-Incentive-Fee (CPIF) closure contract that includes cost and schedule performance incentives. Performance incentives provide the motivation to achieve accelerated closure at the lowest cost to the Department of Energy (DOE). The DOE is committed to achieve accelerated closure that does not jeopardize safety and protection of the workers, the public or the environment. The Contractor shall be responsible for planning, managing, integrating, and executing the work as described in Section C, Statement of Work (SOW). The Contractor shall furnish all personnel, facilities, equipment, supplies, and services (except as furnished by the DOE) and otherwise do all the things necessary for performing in a safe, efficient, and effective manner.

#### B.2 CONTRACT FUNDING PROFILE

Subject to the availability of funds, DOE anticipates new funding in accordance with the schedule provided below. FY 03 carryover funding will be available in addition to this profile. Such funds shall provide for all allowable and allocable billings for cost and fee for the indicated fiscal year. It is anticipated that annual contract funding will be provided in the first quarter of each fiscal year in the amounts as stated below. The fiscal year funding shown below will be comprised of multiple Congressional appropriations. DOE will use its best efforts to minimize the number of appropriations. The Contractor's cost and commitments that can be charged to an appropriation cannot exceed the amount obligated to the contract. Transfers between appropriations cannot occur without Congressional approval. Transfers between appropriations will require a minimum of 6 months for Congressional approval. However, there is no guarantee that transfer requests will be approved by Congress.

#### Dollars in Thousands

	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>	<b>TOTAL</b>
Target Cost & Fee	\$366,760	\$426,138	\$391,865	\$361,925	\$263,426	\$1,810,114
Items Excluded from Target Cost	\$ 88,190	\$ 90,555	\$ 79,078	\$ 86,951	\$ 95,186	\$ 439,959
Total Contract Funding	\$454,950	\$516,693	\$470,942	\$448,876	\$358,612	\$2,250,073

The items excluded from target cost s shown above include \$38.134M in FY 05, \$37.036M in FY 06, \$37.194M in FY 07 and \$41.538M in FY 08 for newly generated waste. It is agreed by the parties, if responsibility for newly generated (NG) waste is transferred to other non EM programs, the NG waste work scope will be removed from the contract and the items excluded from target cost will be reduced by the aforementioned amounts. The target cost and fee dollars shown above includes

Information Technology (IT) support described in the clause entitled “Withdrawal of IT Support” in Section H. When the work is withdrawn in accordance with the aforementioned clause, the cost will be moved to “items excluded from target cost” and the minimum, target and maximum fees will be reduced.

### **B.3 TOTAL CONTRACT TARGET COST, FEE, AND OVERALL COMPLETION DATE**

The total contract target cost and target fee is \$1,810,114,000. The target cost is \$1,660,655,000. The target fee is \$149,459,000. The total contract target cost and target fee are set for contract target completion of not later than September 30, 2008.

### **B.4 INCENTIVE STRUCTURE**

The cost incentive and schedule incentive fees will be cumulative and in no case shall the total maximum fee exceed 15% of the target cost. The minimum fee shall not be less than 2.5% of the target cost. The aforementioned maximum and minimum fees may be reduced if the clause entitled “Conditional Payment of Fee” in Section H is invoked.

#### **B.4.1 Cost Incentive Structure**

The following cost incentive structure is established in association with the target completion dates identified below in Section B.4.2:

Target Cost Fee:	<u>\$149,459,000</u> (9.0% of target cost)
Maximum Cost Fee:	<u>\$ 249,098,250</u> (15% of target cost)
Minimum Cost Fee:	<u>\$ 41,516,375</u> (2.5% of target cost)

Share line:

For a total actual cost greater than target cost, costs exceeding the target cost shall be shared as follows:

Government’s share:	<u>70</u> %
Contractor’s share:	<u>30</u> %

For a total actual cost less than target cost, costs less the target cost shall be shared as follows:

Government’s share:	<u>70</u> %
Contractor’s share:	<u>30</u> %

## **B.4.2 Schedule Incentive**

The schedule incentive is comprised of four components. Separate incentives are established for Legacy Low Level Waste Disposal, Melton Valley Closure, East Tennessee Technology Park Closure, and Balance of Program Completion Projects. Accordingly, the following schedule incentives are established as shown below.

### **B.4.2.1 Legacy Low Level Waste and Legacy Mixed Low Level Waste Disposal:**

The target cost incentive is established at a project completion date of September 30, 2005. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be reduced by \$500,000 per month for each month (or \$16,667 per day for less than a full month) after September 30, 2005 the project is not completed, so long as the total fee earned is not less than the minimum fee. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be increased by \$250,000 per month for each month (or \$8,333 per day for less than a full month) the project is completed earlier than September 30, 2005, so long as the total fee earned is not more than the maximum fee.

### **B.4.2.2 Melton Valley Closure:**

The target cost incentive is established at a project completion date of September 30, 2006. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be reduced by \$2 million per month for each month (or \$66,667 per day for less than a full month) after September 30, 2006 the project is not completed, so long as the total fee earned is not less than the minimum fee. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be increased by \$1,000,000 per month for each month or \$33,333 per day for less than a full month) the project is completed earlier than September 30, 2006, so long as the total fee earned is not more than the maximum fee.

### **B.4.2.3 ETTP Closure:**

The target cost incentive is established at a project completion date of September 30, 2008. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be reduced by \$12 million per month for each month (or \$400,000 per day for less than a full month) after September 30, 2008 the project is not completed, so long as the total fee earned is not less than the minimum fee. Any fee earned pursuant to the Cost Incentive Structure set forth in B.4.1 above shall be increased by \$6 million per month (or \$200,000 per day for less than a full month) for each month the project is completed earlier than September 30, 2008, so long as the total fee earned is not more than the maximum fee.

#### **B.4.2.4 Balance of Program:**

The total cost for this portion of the work scope will be determined through the baseline development and approval process. The total cost for the Balance of Program (BOP) will equal the Budgeted Cost of Work Scheduled for this scope of work. Any fee earned pursuant to the cost incentive structure set forth in B.4.1 above shall be reduced by \$2 million for every 1% negative schedule variance realized against the total BOP cost, so long as the total fee earned is not less than the minimum fee. Any fee earned pursuant to the cost incentive structure set forth in B.4.1 above shall be increased by \$2 million for every 1% positive schedule variance realized against the total BOP cost, so long as the total fee earned is not more than the maximum fee.

#### **B.4.3 Impact Resulting from Transfer of Facilities**

If the Contractor's reindustrialization efforts described in Section C 3.1.9 "Support Reindustrialization" result in the transfer of a facility for which there are demolition costs identified in the August, 2003, Baseline, the Contractor will be paid a fee of 20% of the demolition cost identified in the August, 2003, Baseline. The fee will be payable immediately upon transfer of title. The fee shall not be subject to refund at any time after title has been initially accepted by the transferee. The Target Cost will be reduced by the value of the demolition cost and the minimum, target, and maximum fees will be adjusted downward accordingly.

### **B.5 PROVISIONAL FEE PAYMENT SCHEDULE AND ADJUSTMENTS**

#### **B.5.1 Scheduled Provisional Fee Payments**

Scheduled provisional fee payments will be made quarterly and will be calculated as follows:

$$\text{Provisional Fee Payment} = \frac{\text{Target Fee}}{\text{Quarters of Performance (20)}} \times .75$$

The Contractor may elect to invoice at less than the factor of .75. The Contractor will notify DOE by September 30th of each year what the factor will be for that year. The first provisional fee payment (performance period October through December 2003) will not be adjusted. Subsequent quarterly fee payments may be adjusted based on the evaluation criteria identified below.

Upon receipt of an acceptable quarterly invoice for provisional fee, the Contracting Officer will assess the need for adjustments based upon the "Conditional Payment of Fee or Incentives Clause" in Section H. If no adjustment is required, payment will be authorized within 30 days of an acceptable invoice. The Contracting Officer will advise the Contractor within seven (7) days of receipt, if the invoice is not acceptable.

### **B.5.2 Provisional Quarterly Fee Payment Adjustments and Reductions**

The Contracting Officer (CO) may adjust the provisional quarterly fee payment based on the validated cost and schedule variance and the status of the major milestones described in the clause entitled “Project Control Systems and Reporting Requirements” in Section H. In determining the appropriate adjustments to the provisional fee payment, the CO will use the following earned value definitions:

- (i) Cost Variance (%) is equal to the Budgeted Cost of Work Performed (BCWP) minus the Actual Cost of Work Performed (ACWP) divided by BCWP times 100%.
- (ii) Schedule Variance (%) is equal to the BCWP minus the Budgeted Cost of Work Scheduled (BCWS) divided by BCWS times 100%.

If a situation arises where DOE has made upward adjustments resulting in overpayment to the Contractor, the Contracting Officer may withhold provisional payments until the overpayment situation is corrected.

### **B.5.3 Termination**

If the option to terminate the contract set forth in the clause entitled “Option to Terminate” in Section F is exercised or the contract is terminated for any other reason, the fee payable to the Contractor shall be determined in accordance with the clause entitled “Option to Terminate” in Section F.

## **B.6 FINAL FEE DETERMINATION**

The final fee determination will be calculated by the CO when the Contractor has completed all activities included in the SOW and complied with the clause entitled “Declaration of Completion” in Section F. The final fee determination will be based on the total cost of the contract and the target schedule dates. The final fee payment will be the difference between the final fee determination minus the sum of quarterly provisional fee payments made during the period of the contract.

If the sum of quarterly provisional fee payments made during the period of the contract is greater than the overall fee that is calculated by the CO in his/her final fee determination, the Contractor shall reimburse the amount of fee already paid that is greater than that earned and shall pay interest to the DOE at a rate established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) that is in effect on the payment date. This rate is referred to as the “Renegotiation Board Interest Rate,” and is published in the Federal Register semiannually on or about January 1 and July 1.. The interest will be accrued daily from the date of the CO final fee determination to the date of reimbursement by the Contractor and will be compounded in 30 day

increments. Reimbursement must be made within 15 calendar days of the CO final fee determination,

## **B.7 STATEMENT OF COMMITMENT**

The DOE and the Contractor recognize the accelerated closure is a cooperative undertaking that requires both parties to seek innovative approaches to achieve the end objective. Streamlining processes and eliminating non-value-added requirements are critical to accomplishing accelerated closure. Both parties agree through the term of this contract to use their best efforts and to cooperate in seeking the reduction of non-value-added requirements and processes that impede progress.

## **B.8 OBLIGATION OF FUNDS**

Total funds in the amount of \$\_\_\_\_\_ are obligated herewith and made available for payment of allowable costs and fees from the effective date of this contract through contract completion pursuant to the clause entitled "Obligation of Funds" in Section I.

## **B.9 ITEMS EXCLUDED FROM TARGET COST**

The following items, which may be funded under this contract, are not included in the Target Cost of this contract:

- (a) Both administrative and claims costs associated with the Energy Employees Occupational Injury Compensation Program Act funded by the Office of Environment and Health (EH).
- (b) Both administrative and claims costs associated with Legacy workers compensation costs.
- (c) Costs of Post Retirement Medical & Long Term Disability.
- (d) Severance Costs
- (e) Pension Costs
- (f) Legacy Documents and Litigation Costs
- (g) Reservation Management Costs
- (h) The following Balance of Program subprojects:
  - 1) 01.03.03.01 ORNL Routine S&M
  - 2) 01.03.03.02 ORNL Non-Routine S&M
  - 3) 01.03.03.03 ORNL Long-Term S&M through FY 2008
  - 4) 01.03.06.01 Y-12 RA/Long Term S&M through FY 2008

- 5) 01.03.06.02 Y-12 D&D S&M through FY 2008
- 6) 01.03.06.03 Y-12 Excess Facilities – Defense through FY 2008
- 7) 01.03.06.04 Y-12 Excess Facilities – Non Defense through FY 2008
- 8) 01.03.08.15 ORNL Liquid Low Level Waste Operations
- 9) 01.03.08.16 ORNL Gaseous Waste Operations
- 10) 01.03.08.17 ORNL Process Waste Operations
- 11) 01.03.08.19 Y-12 Waste Treatment Operations
- 12) 01.03.08.23 Newly Generated LLW Disposition
- 13) 01.03.08.24 Newly Generated MLLW Disposition
- 14) 01.03.08.26 Newly Generated HW Disposition
- 15) 01.03.08.27 TRU Treatment Contract Support through FY 2008
- 16) 01.03.11.01 ETTP Water Quality Program through FY 2008
- 17) 01.03.11.02 ORNL Water Quality Program through FY 2008
- 18) 01.03.11.03 Y-12 Water Quality Program through FY 2008
- 19) 01.03.11.04 Water Resources Restoration Program through FY 2008
- 20) 01.03.09.04 Support for Report to Congress on ES&H